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Who Now Handles Social Housing Provision – The Role and Performance of Housing Associations

Housing policy Housing associations Great Britain

In Britain, Housing Associations are organizations whose prime objectives are to develop and manage housing for people in housing need and who are on low incomes. They are sometimes referred to as the "voluntary housing sector" or the "third arm" of rented housing provision, separate from private sector landlords and rented housing provided by statutory local (municipal) housing authorities. This article discusses the role of housing associations in the UK housing market.

Veronica Coatham

Kdo je danes odgovoren za oskrbovanje s socialnimi stanovanji? Vloga in učinkovitost stanovanjskih združenj

Stanovanja Stanovanjska politika Stanovanjske združenja Velika Britanija

Stanovanjska združenja so v Veliki Britaniji organizacije, čigar osnovni namen je graditi in upravljati stanovanja, ki so namenjena občanom z nizkimi osebnimi dohodki. To je tako imenovani "prostovoljni stanovanjski sektor" oziroma "tretja roka" najemnih stanovanj, ki se razlikuje od privatnega najemnega ter od najemnega sektorja, ki ga oskrbuje statutarna lokalna (občinska) oblast. Ta članek obravnava vlogo stanovanjskih združenj na britanskem stanovanjskem trgu.

Introduction

In Britain, Housing Associations are organisations whose prime objectives are to develop and manage housing for people in housing need and who are on low incomes. They are sometimes referred to as the 'voluntary housing sector' or the 'third arm' of rented housing provision, separate from private sector landlords and rented housing provided by statutory local (municipal) housing authorities. However, some people would now argue whether housing associations could genuinely be part of the voluntary sector, as associations receive substantial public subsidy (from central government) and are borrowing increasing amounts of money raised from the private sector.

It is important to note that housing associations are not the major providers of rented housing in the United Kingdom (see Table 1 below) – they only hold 3.3 % of the total dwelling stock in England, Wales and Scotland. The statutory sector, local authorities (municipalities) and New Town Development Corporations remain the major providers of social rented housing and private landlords also hold a significant proportion of rented stock.

Why then is this article focusing upon housing associations when the sector does seem such a small player in the UK housing market? Mainly because activity in housing provision by local authorities has been constrained by Conservative government policies in the 1980s and 1990s. Instead, housing associations have been favoured as the main agents for developing new social rented housing (note – local housing authority sector and housing association housing are commonly referred to as the Social Housing Sector). The housing association sector currently produces approximately 40,000 units a year.

Housing association activities are regulated by the Housing Corporation, a government agency created in 1964, for the specific purpose of channelling public funding through to associations and for monitoring their activity. Later in this article, the role of the Housing Corporation in regulating housing association activity is examined more fully. The Housing Corporation has responsibility in England only. Tai Cymru controls housing association activity in Wales and Scottish Homes in Scotland. All three agencies are controlled by Boards whose members

Table 1: Stock of Dwellings by Tenure as at December 1993 – United Kingdom

| | Owner Occupied | | Rented Privately | | Housing Association | | Local Authority/ New Towns | |
|--------------|----------------|-------------|------------------|------------|---------------------|------------|----------------------------|-------------|
| | Thousand | % | Thousand | % | Thousand | % | Thousand | % |
| England | 13.513 | 67.3 | 2.045 | 10.2 | 768 | 3.8 | 3.742 | 18.6 |
| Wales | 867 | 71.6 | 94 | 7.8 | 35 | 2.9 | 214 | 17.7 |
| Scotland (p) | 1.211 | 55.3 | 139 | 6.3 | 71 | 3.2 | 770 | 35.2 |
| Total | 15.591 | 64.8 | 2278 | 8.1 | 874 | 3.3 | 4.726 | 23.8 |

Source: Housing and Construction Statistics, March Quarter 1994

are appointed by the Secretary of State for the Department of the Environment (DoE), and the Board in turn is required to report annually to Parliament on expenditure and performance. The three agencies have to work within the policy and expenditure framework set up by the DoE and are regarded as being agents of the government.

The other important feature of the housing association movement or sector, is that membership and committees of management are made up of volunteers. Each association is required by English law to have a Committee of Management, but both they and other members of the association are volunteers. Associations are not allowed to make profits in the sense that the membership and committee members receive no payment or benefits from any surpluses generated (Spencer, Mullins & Walker 1994). Associations are at liberty to appoint individuals to their committees but the Housing Corporation exercises management control and sets standards. It also has the power to nominate individuals to committees where it finds insufficient control or expertise exists, such as where an association mismanages its finances.

Paid staff are employed by most associations to carry out the policies determined by the association committee of management (although approximately 1/3 of associations do not employ any paid staff). No paid employees, including Chief Executives and Directors of associations can be on the committee of management – their role is purely advisory.

The Origins of the Housing Association Movement

The housing association movement can trace its origins back to the twelfth century when almshouses were first established by charitable benefactors to meet local housing needs (Cope 1990 in Spencer, Mullins & Walker). Today, there are still 1.700 almshouses.

However, it was in the 19th Century that the origins of the current housing association movement can be traced. Philanthropic trusts were developed to provide decent housing in urban areas in response to the housing and health problems associated with rapid urbanisation. These trusts were small in number and received donations from private individuals concerned to see an improvement in the living conditions for working class people in cities. The Peabody Trust was formed at this time, operating in London where it soon established a substantial property portfolio. Other trusts followed with the Guinness Trust and Sutton Housing Trust forming in London and Bournville Village Trust in Birmingham. These associations are still operating today, indeed 3 of them number amongst the largest 12 associations operating in the UK today (see table 2).

The housing association movement did not then see a major increase in activity until the 1960s, when new associations were established often by local voluntary groups, to respond to the poor housing conditions in the private rented sector, to provide housing in urban areas for immigrants from the new commonwealth and to provide an alternative

Table 2: The 12 largest registered housing associations – March 1993

| | Total Homes | Total Staff | New Homes 1992/1993 | No LA's with stock |
|---------------------------|-------------|-------------|---------------------|--------------------|
| North British | 23.128 | 1.120 | 1.078 | 106 |
| Anchor | 22.834 | 5.529 | 660 | 209 |
| North | 22.032 | 674 | 1.390 | 45 |
| Merseyside Improved Homes | 15.268 | 626 | 556 | 9 |
| Sutton Housing Trust | 14.421 | 575 | 191 | 37 |
| Peabody | 12.378 | 521 | 771 | 15 |
| Sanctuary | 12.330 | 672 | 777 | 113 |
| Broomleigh | 12.265 | 255 | 74 | 3 |
| Guinness Trust | 11.787 | 514 | 1.456 | 82 |
| London and Quadrant | 11.649 | 388 | 466 | 45 |
| Royal British Legion | 11.502 | 889 | 235 | 202 |
| Northern Counties | 11.163 | 557 | 489 | 42 |

Notes: Total Homes = total rental stock in ownership of association.

Total Staff include full time and part time

New homes added include newly built and purchased.

No LAs with stock = number of local authority areas in which association has rented stock.

Source: Housing Corporation (1994) Housing Associations in 1993 Part 2, Supplementary Tables on Individual Associations.

approach to the clearance of old sub-standard property. Associations tended to operate in specific localities and associations formed at this time tend to be still active in the causes behind their foundation, for example, Notting Hill Housing Trust are still active in refurbishing property in West London, Focus Housing Association, (previously COPEC Housing Association) is still active in providing housing in areas of high black and ethnic minority populations in Birmingham and the West Midlands. At the same time, other housing associations supported by the Housing Corporation, began to experiment with different forms of housing tenure, including cost-rent and co-ownership schemes which were directed at higher income households.

Not only do housing associations rehabilitate old stock and build new accommodation but they may also provide housing for specific client groups, such as elderly people, lone parent families, single people and people in need of care and support. An added complication is the diversity in size of associations. Of the 2,177 associations registered with the Housing Corporation in 1993, 1900 associations or 87 % of all associations own less than 250 units. Almshouses would fall into this category. A large number of these associations employ few or no staff and are not engaged in new development. 60 associations or 3% of all associations have over 2,501 units in management (Housing Corporation 1993). 12 of this number account for 25 % of all housing association homes. They have more than 10,000 homes and employ over 50 staff. Table 2 lists these associations. We will be looking more closely at the activities of Sanctuary Housing Association as a case study, later in this article.

Some would argue that this diversity in range and scale of activities is a strength of the movement, as individual associations are able to respond to specific housing needs, while others might argue that there is scope for increasing efficiencies through the consolidation of different associations eg., through mer-

gers, or the de-registration of the very small non-development associations such as almshouses. Despite such pressures for change, the movement is typified by a strong voluntary ethic and in some areas a resistance to adopting government policy. But changes are being forced upon the voluntary housing movement by the Housing Corporation operating on behalf of the government and it's this trend we'll examine next.

Legislation Affecting Housing Associations

The 1974 Housing Act heralded a major role for the housing association movement in the provision of social rented housing. Under this Act, associations were provided with public funding through the Housing Corporation for both the costs of new developments and associated revenue expenditure. In effect, the state underwrote any 'risk' and enabled the movement to grow at a rapid pace. Throughout the 1970s and early 1980s associations completed up to 40,000 units a year working on schemes that complemented the work of local housing authorities. As well as new build, associations worked in inner city areas, rehabilitating old housing stock and concentrating on providing accommodation for single people, elderly people, people with disabilities and other groups such as childless couples who weren't provided for or who couldn't gain access to local authority housing. Local housing authorities had tended to concentrate on providing family housing for people on low income during their major development periods of the 1920s and 1930s and then in the 1950s and 1960s.

The second and more recent landmark has been the 1988 Housing Act. It is this Act which transformed the role of associations in the late 1980s and early 1990s. It did this by:

1. Shifting the responsibility for providing social rented housing from local housing authorities to housing associations. This was effected by transferring subsidies for

new house building from local authorities (whose output was reducing anyway because of decreasing state subsidy) to housing associations.

2. Requiring housing associations to secure private sector or commercial finance to replace part of the public subsidy for new schemes, deregulating new tenancies in the sector so that rents could reflect the costs of loan repayments and at the same time, introducing competition between associations for public subsidy. By introducing these measures, the government hoped to shift the housing association movement out of the public sector into an independent sector along with private landlords.

However, the movement, whilst embracing some of the new challenges posed by the legislation, was reluctant to be associated with the private rented sector and some of the bad practices associated with it eg., harassment of tenants, illegal evictions, substandard and overcrowded housing. It has maintained that it is still part of the social rented sector along with housing authority housing. However, changes have taken place (Spencer, Mullins & Walker, 1994):

- there has been a continuous reduction in the proportion of public subsidy by funds from the Housing Corporation toward scheme costs (62 % in 1993/94, 52 % approx. in 1994/95). The Annual Development Programme (ADP) which is used to allocate the housing associations grant to associations is expected to decline further as a result of the government's expenditure plans. For example, in 1992/93, the ADP was £ 2.4 billion, in 1994/95 it was £ 1.5 billion.
- large amounts of private finance have been raised (from 1989/90 to 1993/94, £ 2.6 billion was raised), Banks and building societies being the main providers of funds.
- there has been a reduction in unit costs due to intense competition at a time of a recession in the building industry.

- there has been a substantial increase in rents especially for new homes.

The outcome of these developments is that the 'developing' housing associations are now resembling private sector institutions in terms of 'their ability to borrow, their exposure to financial risk and their lack of democratic accountability' (Spencer, Mullins & Walker 1994). In other words, they have become housing businesses whilst retaining some public sector characteristics such as access to public subsidy, a mission to provide housing for those in housing need and regulation by the Housing Corporation. Associations, by law, are still not able to make profits yet are increasing adopting private sector business practices, whilst at the same time following social objectives.

Housing Associations

How they are organised and what they do - A case study of Sanctuary Housing Associations

Associations have gone through a rapid period of growth since 1988, but this needs to be placed against a relatively low base figure (see table 1). They have increasingly moved from rehabilitation work to providing new housing in rural areas or on in-fill sites in urban areas. The Housing Corporation in the period from 1989 to 1993 transferred a larger segment of public money available for new development to rural areas. Firstly, because the provision of low-cost rural housing was seen as a priority, in terms of meeting housing need, and secondly, because it was more cost effective to build new housing rather than refurbish older housing - more housing could be produced for the same amount of public funding. This has meant that some associations, especially the larger ones, moved out of the areas they traditionally worked in, as they were able to be competitive in terms of offering the lowest development cost for a given proportion of public subsidy. Sanctuary is one of these associations.

Introducing Sanctuary Housing Association

Sanctuary was established in 1964 when it was known as the World of Property Housing Trust. One of its founder members was involved in establishing two of the UK's largest charities: Help the Aged and Oxfam. The initial growth of the association was slow, by 1975 it owned only 200 units of accommodation but following the 1974 Housing Act it underwent a rapid period of expansion helped by substantial quantities of public funding. By 1989 Sanctuary owned over 6,500 units of accommodation.

In 1989 Sanctuary joined forces with Spiral Housing Association who at the time managed 5,400 properties. The two associations merged in 1991. The reason behind the merger was to produce a housing association with a wider geographical spread and a strong financial base to be able to attract continued public sector funding and also private sector funding. As a result of the merger Sanctuary is now active throughout England with the excep-

tion of Merseyside. It is now working in partnership with 157 local authorities throughout the country (Annual Report 1993/94) and is now the sixth largest housing association in the UK in terms of units managed. As of March 13th 1994 Sanctuary managed 19,146 units of housing with a further 2,801 units under development.

Sanctuary's rate of growth has been staggering. In 1994/95 it received the largest single allocation of housing association grant issued to any housing association in England, amounting to 3.3 % of the total funds allocated (see Table 3). Sanctuary had previously received the third largest allocation of grant in 1993/94.

In addition, Sanctuary has also been involved in a series of innovative and successful private sector financings. An example of this is the raising of 75m dollars on the United States money market, the first association in the UK to borrow overseas. The money raised will be used to support the current development programme and to pay off other existing loans.

Table 3: The Number of Housing Units Managed and the Total HAG Allocation for Sanctuary Housing Association and its Subsidiaries as at March 31, 1991-1995

| As At March 31 | Number of Units Managed | Total HAG Allocation (£ millions) | % of National HAG Budget |
|----------------|-------------------------|-----------------------------------|--------------------------|
| 1992 | 16,161 | 43.8 | 2.8 % |
| 1993 | 17,367 | 60.9 | 2.7 % |
| 1994 | 19,146 | 45.2 | 2.5 % |
| 1995 | 21,983* | 50.6 | 3.3 % |

* projected

Source: Sanctuary Housing Association - unpublished information.

Table 4: Sanctuary's Stock Profile

| Stock | UNITS | | 1993/94 TURNOVER | |
|------------------------------------|---------------|--------------|---------------------|--------------|
| | Number | Percentage | Amount (£ millions) | Percentage |
| General Rented Housing | 11,332 | 59.2 % | 20,710 | 50.4 % |
| Sheltered Rented Housing | 2,539 | 13.3 % | 8,461 | 20.6 % |
| Other Home Ownership Special Needs | 3,945 | 20.6 % | 1,403 | 25.3 % |
| Shared Ownership Schemes | 1,330 | 6.9 % | 1,516 | 3.7 % |
| Total | 19,146 | 100 % | 41,090 | 100 % |

Source: Sanctuary Housing Association - unpublished information.

Table 3 illustrates Sanctuary's growth over a period of four years, and Table 4 its stock profile. As can be seen by this latter table Sanctuary is active in a number of different aspects of housing provision.

Sanctuary Housing Association as with other associations, must be registered under the Industrial and Provident Societies Act 1965 in order to qualify for recognition. In addition it is registered with the Housing Corporation which provides access to public sector funding. To comply with legal requirements it has to have a set of rules, by which it conducts its affairs. Sanctuary is also a registered charity with the charity commission and is unusual in so far as it does not have a subsidiary to undertake non-charitable work. It undertakes all activities such as providing housing for shared ownership and selling development services through the main association. Other associations have created subsidiaries for this purpose.

The management and overall direction of Sanctuary is the responsibility of voluntary committee members. Central Council is the controlling body for Sanctuary. It is a non-executive supervisory board of 16 unpaid individuals who can offer the association skills and experience relevant to its work. Its prime role is to exercise overall control of Sanctuary's operations, formulate policies and ratify major decisions. A committee of Central Council, chaired by the Honorary Treasurer has delegated responsibility for financial control. Members are elected to central council from divisional committees or through national election. There are four divisional committees representing four regions - North, Midlands, South East and South and West, reflecting the operational management of the association in England. These committees are made up of representatives of area committees, of which there are nearly 30, located in local areas where Sanctuary has a strong presence.

Day to day management of the association is delegated by Central Council to paid employees working for the Managing Director supported by a team of four Divisional Directors and the Director of Finance. Each of the four divisions has a series of district and local offices responsible for local areas. The intentions of this decentralised structure is to grant local offices sufficient autonomy to manage properties effectively, identify growth opportunities and more generally keep costs down and develop a more competitive organisation.

All matters relating to development, finance, internal audit, computing, personnel and housing are controlled from Sanctuary's head office in Hertford. The association employed approximately 730 people as at March 31st 1994.

The Key Functions of the Association

There are four key functions performed by all housing associations, though clearly their relative impor-

tance and the extent to which they are undertaken can vary between associations.

1. Development - clearly the last six years has seen a rapid period of expansion for Sanctuary (see Table 3) and other associations with sizeable development programmes.

Sanctuary is able to support development teams in each of its regional divisions who are responsible for ensuring a continuing flow of development work. Because of its size, Sanctuary is able to negotiate both discounts with building suppliers and builders, so helping to keep scheme costs down. Sanctuary also sells development services to other associations; for example, it has worked with black housing associations to help them achieve viability; with rural associations and in partnership with other associations and local housing associations. (Sanctuary Housing Annual Report 1993/94). Sanctuary is able to support its development activity through access to housing association grants and its ability to raise private sector money. It uses its property assets valued at approximately £ 600,000million to support these private sector ventures.

However, as discussed earlier on in this article, bidding for housing association grants is becoming increasingly competitive and the amount of housing association grants is decreasing and so the period of rapid growth is likely to come to an end in the next 5 years. For some associations this may mean no further development activity and a refocus to the management of housing stock, as they are unable to bid competitively, but for Sanctuary and other large strategically placed associations, it is envisaged development will continue but at a lower rate and with decreasing amounts of housing association grant.

2. Housing Management and Maintenance

This is at the core of a housing associations business but is often

regarded as secondary to development activity. Currently, there is a debate about the nature of housing management activity in the UK, initiated originally by the government. The spur for this was the changing nature of housing association developments, an increasingly poorer tenant population, and the opportunities presented by the tendering proposals for local authority housing management (Spencer, Mullins and Walker 1994).

A document produced by the National Federation of Housing Associations (1996) (the trade body for all registered housing associations) identifies two contrasting views of the nature of housing management:

- a property management view – maintaining the rental income stream and the capital value of stock assets,
- a social service view – providing affordable homes, care services and support, advice and protection for tenants.

There is a conflict here – the first model is supported by the need for associations to meet the requirements of their private funders, in terms of meeting targets on numbers of empty properties, rent arrears levels, and stock improvement whilst at the same time keeping costs low. Associations such as Sanctuary will set their own targets as part of their overall business plan, which have to be made available to private lenders. The second model has occurred because:

1. With the changing composition of housing association tenants, more are likely to be unemployed and very poor. For example, 75 % of all Sanctuary's tenants receive some or all of their rent in the form of Housing Benefit, a personal state subsidy to meet housing costs.
2. New developments, such as larger estates, with higher child densities and fewer social amenities, are often more difficult to manage. The development team of Sanctuary, for example, work closely with housing management staff on

new developments so that, as far as possible, difficulties do not arise. This may be achieved through mixing the dwelling size, taking care over the layout of estates, ensuring easy and safe access to local amenities, and providing a local housing management presence.

3. The impact of other changes such as the move towards providing care for people needing support (the mentally ill and the elderly) in the community rather than institutions now needs to be addressed. For example, Sanctuary has a substantial proportion of sheltered housing for elderly people (see Table 4) and works in partnership with agencies such as the Local Health Authority to provide residential care homes, and with other voluntary agencies to provide accommodation for the mentally ill and people with disabilities.

It is likely that housing management will have more importance in future years, as development activities decline and housing associations concentrate more on the management of their stock and those of other agencies for whom they may provide management services. Some associations have already won large tenders to manage local authority housing stock, which have been put out to tender on a voluntary basis. Sanctuary is involved with this process where it is invited to participate by local authorities but otherwise will not put in a speculative bid.

Maintenance issues are also increasingly important. Associations are required to set up sinking funds for major repairs on schemes developed under the new mixed (public/private) funding regime. Older schemes may be eligible for funding from the Housing Corporation if they were built prior to 1988. In 1993/94 Sanctuary channelled £11 million into the improvement of existing housing stock. In addition to the cyclical maintenance programmes and major repairs grant from the Housing Corporation, Sanctuary

allocated £ 1.5 million from its own resources. This commitment to improving stock using both internal and external resources is an important part of Sanctuary's business plan.

3. Support Services

These generally comprise financial and personnel services, information technology and internal audit. Sanctuary's head office provides these services to the divisions and areas. However, legal advice, advice on securing private funding and external audit are usually purchased from outside agencies and consultants.

Monitoring and Regulation of Housing Associations

Despite housing associations being independent of the statutory housing sector and being regarded as part of the voluntary sector, they are subject to a considerable amount of regulation and control. Why is this? Mainly because, since the 1974 Housing Act, they have been in receipt of large amounts of public funding for which they have had to account. This task has been the responsibility of the Housing Corporation who, since 1964, has had statutory responsibility for regulating the activities of registered housing associations. It defines its mission as 'supporting social housing in England by working with housing associations and others to provide good homes for those in housing need'. Its key purpose is to ensure that the public funds given to housing associations are used effectively and efficiently for the purposes for which they are provided i.e., the provision of rented housing.

This relationship remained more or less unaltered until 1988, when housing associations were required to carry some of the financial risk involved in developing and managing housing. As discussed previously, this has led to some housing associations revising their approach with some becoming major commercial businesses. The Housing Corporation has therefore had to

change its role too, and has identified three new aims (The Housing Corporation: The Next Three Years - 1994- 1997):

1. To ensure that housing associations comply with the range of requirements for providing social housing and that these are properly and tightly defined;
2. To objectively assess performance against the requirements on a regular basis;
3. To feed the outcome of the assessments into investment decisions.

The overall intention of this new approach is to ensure that housing associations (Housing Corporation, *ibid*):

- manage their affairs economically, efficiently and effectively, making responsible use of public resources;
- use their public funding to fulfil the housing purposes for which it was intended;
- maintain good standards of management and delivery of services for their tenants;
- preserve their reputation for sound management and financial strength to enable them to continue to attract private investment in Social Housing.

Since 1988, associations in England have invested over £ 8.5 billion of public funds and around £ 2.6 billion of private sector funds to provide 190,000 homes. In total, housing associations now manage and maintain around 750,000 properties, housing over a million people. Housing associations have therefore had to develop strategies to cope with both short-term risk in the management of their portfolio of loans and long term repair liabilities.

To reflect these changes, the Corporation has reviewed its regulatory approach in the following ways:

- the criteria for the registration of new housing associations has been tightened. Newly founded associations now need to demonstrate they can operate effectively within the new climate and that they are social businesses from the start;
- housing associations annual accounts are now reviewed and

- analysed on a more rigorous basis;
- the quality and frequency of financial information generally available is being improved. Housing associations are now required to make quarterly financial returns to the Corporation and funding decisions are made on the basis of the information provided and the performance of the associations.
 - the standards against which the overall performance of associations are assessed is being refined and tightened. New criteria were published in 1992 covering areas of committee and management control, financial control, housing management and the development process;
 - a more rigorous and objective approach to the performance auditing of associations is being developed, especially to draw out poor performance;
 - associations are strongly recommended to create internal systems of financial control which are regularly reviewed and audited. This is primarily targeted at eliminating fraud and mismanagement.

The Corporation, through its regional offices, is seeking to evolve this approach further through a new system of performance review introduced in 1994. This involves associations completing performance standards criteria, certified by their Committee of Management and submitting them to the Housing Corporation for a 'desk-top' review, along with annual accounts and quarterly financial returns, against a range of indicators. The new procedures include the Housing Corporation:

- visiting associations on a cyclical basis to validate the information contained within performance standards;
- requiring associations to demonstrate effective committee and management control, and financial well-being;
- seeking the views of tenants' organisations and local authorities when assessing the performance of associations.

The next few years are likely to see a consolidation of the Corporation's role as described above. But two changes are also being sought which would require new legislation. First the Corporation is seeking the de-registration of smaller, non-developing associations such as almshouses, who could be regulated purely by the Charity Commission. And secondly the Corporation is seeking to extend its regulatory powers to unregistered subsidiaries of registered housing associations.

This new regulatory framework has therefore given increased responsibilities to the committees of associations. The first key standard within the performance standards requires associations to "have a suitably skilled and representative committee which controls, plans and oversees all aspects of the association's work in an effective and accountable way". Housing association committee members come from varied backgrounds and with differing reasons for becoming committee members - some members are elected tenant representatives, others are invited to become members because they are active tenants; some members represent local authorities or other voluntary agencies with whom the association may be working; others may be interested in and committed to the provision of social housing or those in housing need. These skills may not always be representative of what is now required to manage the activities of a social housing business and increasingly associations are seeking to recruit members with legal and financial skills; housing management and development skills are also rated highly.

There is increasing concern that the growth in housing association activity has not been matched by a growth in skills of committee members. One reason cited for this is because committee members cannot be paid for their services. Section 15 of the Housing Associations Act 1985 states that an association shall not make a payment or grant a benefit to committee members, with the exception of expenses, and

any interests in the association, such as a tenant committee member holding a tenancy with the association needs to be declared on an annual basis. This, it has been argued, may work against associations as they cannot 'buy in' useful and necessary expertise. Recently an enquiry has been initiated by the housing association movement, into the 'Governance' of housing associations. Issues being addressed are: payments for committee members; whether paid senior executive staff should be on management committees; and what the appropriate proportion of tenants on committees should be. These matters are being addressed as part of the wider issue of how social housing businesses should be conducted in the future.

Should associations with stock valued at billions of pounds and with up to £ 30 million in reserves be governed by lay people? – that is at the crux of the matter. The enquiry has yet to report, but it seems that at this stage that there is no consensus view as to how associations might be governed in the future. Views expressed range from the most fervent desire for association committee members to remain unpaid and to retain the voluntary ethos of the movement, to those who feel that the time has come for a review to take place. Interestingly, the newer black associations are saying committee members should be paid as they are having difficulties in recruiting members with the business skills they need to survive and grow in size. But whatever the outcome of the enquiry, there will be some changes to the governance of housing associations, and it is anticipated that some of the larger developing associations will become public limited corporations in the future.

The Future for Housing Associations

Before we examine the position of housing associations, say, in 5 years time, we need to establish where housing associations are now. As-

sociations have followed government policy and replaced declining grant rates with money borrowed from the commercial sector. This has had four outcomes:

1. Rents have increased because of decreasing public funding and the need to pay off private sector loans. This has raised key issues of affordability, especially as tenants rehoused by associations are increasingly poor and more likely to be unemployed;
2. Because associations have borrowed against their assets i.e., property, so collateral is being used up – it is anticipated that in five years it will all have been used. Some smaller associations have not sufficient security now to raise money;
3. Some associations are using their reserves to subsidise development programmes. But not all associations have substantial reserves and healthy balance sheets and generally there is reluctance to use reserves if it could affect an association's borrowing potential;
4. Competition for public funding is extremely tight, and associations are under pressure to bid at lower than grant norms to win allocations. Potentially, this may affect the standards of new-build housing.

In addition, as rents are increasing, so more people are being pushed into poverty; for example, it may be financially more advantageous for people not to be in paid employment, because, at present, as unemployed, their rents will be met in full by Housing Benefit. However, there is a fear that the government will put a 'ceiling' on Housing Benefit levels, by restricting the amount of benefit they will pay against the rent of individual properties. For those housing associations with increasing numbers of tenants from those on full housing benefit, this has led to concern about the security of future income levels, and a recognition of their vulnerability to changes in government policy.

Because of these trends, in five years time, some housing associations may no longer be able to develop – so what options are available to them?

1. They can play a wider role in urban regeneration initiatives in partnership with local authorities and other government sponsored schemes, such as Care in the Community, and local employment development programmes, where public funding is likely to be channelled for social housing.
2. They can concentrate on excelling in the economic management of rented housing and win competitions to take over the management of the remaining local authority housing, when it is put out to tender in April 1996. But local housing authorities themselves are seeking to win these contracts either through putting in competitive bids themselves or by establishing local housing companies, who could be used as the vehicle for buying up stock, so releasing funds for further local housing investment.
3. They can build on existing specialist activities, such as working in closer partnership with Social Service and Health Authorities to provide accommodation for 'vulnerable' people living in the community.
4. Associations can expand their activities in refurbishing existing property, such as run-down local authority stock. (See accompanying article by Professor James Low).
5. Some of the larger associations may consider becoming housing developers, providing both subsidised and non-subsidised housing and competing with private sector volume builders.
6. Smaller associations may need to form partnerships with developing associations so they can continue to address particular housing needs.
7. Mergers may become increasingly likely – such as larger as-

sociations taking over smaller ones. This will enhance the asset base of the larger association.

8. Working more closely with local authorities not just in areas of regeneration and refurbishment but also to meet housing need in local areas.
9. Some associations may become private companies which would enable them to operate in a more market orientated manner.
10. Associations could also concentrate more on those activities which assist more people into owner-occupation, such as low-cost home ownership schemes and other schemes designed to enable association tenants to transfer to full owner-occupation.

Associations are therefore considering their futures, in the realisation that their 'developing' days may be over. But still at the heart of the movement is the mission to provide housing for those in housing need, and coupled with associations' entrepreneurialism a decline in their role is not anticipated. At the same time it is anticipated that the diversity of the housing association movement will increase over the next few years, as associations seek different routes, survival for some and growth for others (Spencer, Mullins & Walker 1994). But the need for social housing remains for those less well-off individuals unable to gain access to the owner-occupied sector and who cannot afford the higher rents in the private sector.

For some politicians, the re-privatisation of housing associations is on the agenda (Spencer, Mullins & Walker 1994). This means maximising the output of dwellings for a lower public sector grant. It has been suggested that making public subsidy available to private sector developers may make the competition for public resources more intense and produce better value for money in terms of the number of units provided and unit cost. To some extent this is a logical development as both associations and private developers make use of private

funds and they both operate under the same legal framework for determining rents and security of tenure.

These scenarios makes the position of voluntary committee members uncertain. Is it right that association committees should remain unaccountable to the local community when associations are still receiving large amounts of public funding and working in close co-operation with local authorities, from whom they may receive discounts for land purchased, in return for local authority nomination rights to the new accommodation provided. Association committees may be required to have greater local political and tenant representation among their membership. Alternatively some larger housing associations may adopt the Board structure associated with non-profit or commercial organisations, as private lenders request a place on Boards. Greater diversification of the movement is therefore envisaged given these pressures, Spencer, Mullins & Walker 1994, argue. A major shift in outlook is expected.

Whilst there are major uncertainties at the current time about what the future holds for associations in terms of new patterns of organisation, working with other agencies, sources of funding, and changes in direction, few observers expect housing associations to go into a period of decline. However, the movement needs to establish a new role for itself, if it is to cease to become a tool of government and retain its independent status, so long held dear.

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